# RESERVES DATA FOR
# SANDSTORM METALS & ENERGY LTD.
# RELATING TO THE AGREEMENT WITH
# TERREX ENERGY INC.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

The following reserves data contains “forward-looking information” within the meaning of applicable Canadian securities legislation.

Forward-looking information is based on reasonable assumptions that have been made by Sandstorm Metals & Energy Ltd. (the “**Company**”) as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the impact of general business and economic conditions; the absence of control over oil and gas operations from which the Company will purchase oil and gas and risks related to those oil and gas operations, including risks related to international operations, government and environmental regulation, actual results of current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined; problems inherent to the marketability of oil and gas; the ability of Terrex Energy Inc. (“**Terrex**”) to fulfill its obligations under the Commodity Purchase Agreement (as defined herein); industry conditions, including fluctuations in the price of oil and gas, fluctuations in foreign exchange rates and fluctuations in interest rates; stock market volatility; competition; as well as those factors discussed in the section entitled “Risk Factors” in the Company’s Annual Information Form dated August 15, 2012. Forward-looking information in this reserves data includes, among other things, disclosure regarding: future net revenue, recovery of oil and gas reserves, price estimates for oil and gas and production estimates.

Forward-looking information is based on assumptions management believes to be reasonable, including but not limited to the continued operations from which the Company will purchase oil and natural gas, no material adverse change in the market price of oil and gas, that the oil and gas operations will operate in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out herein.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information that is included in this reserves data, except in accordance with applicable securities laws.

### Background & Unique Interest Definition

Pursuant to the Hydrocarbon Purchase Agreement (the “**Commodity Purchase Agreement**”) among Terrex, the Company and 0905896 B.C. Ltd., a subsidiary of the Company, dated March 18, 2011, the Company receives:

- 15% of the production from the Strathmore property for the life of the asset,
- 25% of the production from the Two Creek Jurassic A property for the life of the asset, and
- 25% of the production from the Two Creek Jurassic B property until March 31, 2016.

The Company will sell the production at market prices, and the production stream is subject to royalties and certain defined operating costs. It is important to note that the Company is not required to contribute to future capital expenditures associated with developing or sustaining the properties. Further, the operator of the property, Terrex, has agreed to a minimum level of development including the drilling of two wells in the Two Creek Jurassic A property prior to September 18, 2012, implementing a chemical flood enhanced oil recovery ("**EOR**") scheme with respect to the Strathmore property prior to March 18, 2013, and implementing a chemical flood EOR scheme with respect to the Two Creek Jurassic A property prior to March 18, 2014.

The Company's interests in the Strathmore and Two Creek properties are unique. The Company does not hold title to the mineral rights in these properties; title remains with the operator, Terrex. For reference, the following considerations are from Section 5 of Volume 1 and Section 5 of Volume 2 of the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**"):

> "Assigning reserves to a company requires the company to own the subsurface mineral rights or have the contractual right to exploit and produce them. Reserves may be assigned if the company has the right to extract oil and/or gas. Further qualifications include 1) the right to take volumes in kind, 2) exposure to market and technical risk, and 3) the opportunity for reward through participation in producing activities. Reserves would not be booked for companies participating in projects where their rights are limited to purchasing volumes or service agreements that do not contain aspects of technical and price risk and reward."

It is not clear that the volumes presented herein can be reported as either Company Gross (working interest) or Company Net (after royalty) reserves under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**").

In this summary, and in the report from which the summary is based upon, the Company's interests have been presented as gross working interests (gross) and net interests after royalty (net). This represents a Unique Interest Definition.

## Reserves Evaluation

The reserves data and other oil and gas information set forth below is dated August 15, 2012. The reserves data set forth below (the "**Reserves Data**") is based upon an evaluation by GLJ Petroleum Consultants Ltd. ("**GLJ**") entitled "Reserves Assessment and Evaluation of Canadian and U.S. Oil and Gas Properties" (the "**GLJ Reserves Report**") evaluating the Company's crude oil and natural gas reserves, including those at the Strathmore and Two Creek properties, which has an effective date of December 31, 2011 and is dated April 25, 2012.

The Reserves Data summarizes the crude oil, natural gas liquids and natural gas reserves of the Company and the net present values of future net revenue for these reserves using forecast prices and costs. The GLJ Reserves Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101, subject to the Unique Interest Definition noted above.

All of the reserves related to the Reserves Data are in Canada, specifically, in the Province of Alberta. All dollar figures refer to Canadian currency unless specified otherwise.

All evaluations of future revenue are after the deduction of applicable royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the estimates of future net revenues presented in the following tables represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the GLJ Reserves Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the GLJ Reserves Report. The recovery and reserves estimates described herein are estimates only. The actual reserves may be greater or less than those calculated.

**Reserves Definitions**

***Reserves Categories***

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

*Proved Reserves*

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

*Probable Reserves*

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

*Possible Reserves*

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the classification of reserves are provided in Section 5.5 of the COGE Handbook.

***Development and Production Status***

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories.

*Developed Reserves*

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

*Developed Producing Reserves*

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

*Developed Non-producing Reserves*

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

*Undeveloped Reserves*

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

***Levels of Certainty for Reported Reserves***

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to Reported Reserves (which refers to the highest level sum of individual entity estimates for which reserves estimates are presented). Reported Reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves;
- at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the COGE Handbook.

***Oil Equivalent or Gas Equivalent***

In this report, quantities of hydrocarbons have been converted to boe using factors of 6 Mcf/boe for gas and 1 bbl/boe for all liquids. Quantities of hydrocarbons have been converted to Mcfe using factors of 6 Mcfe/bbl for all liquids and 1 Mcfe/Mcf for gas. Users of oil equivalent values are cautioned that while equivalency-based metrics are useful for comparative purposes, they may be misleading when used in isolation.

***List of Abbreviations***

| | |
|---|---|
| bbl | barrels |
| boe | barrel of oil equivalent |
| btu | British thermal units |
| Mbbl | thousand barrels |
| Mboe | thousand boe |
| Mcf | thousand cubic feet of gas at standard conditions |
| Mcfe | thousand cubic feet of gas equivalent |
| M$ | thousand Canadian dollars |
| MM$ | million Canadian dollars |
| MMbtu | million British thermal units |
| MMcf | million cubic feet of gas at standard conditions |
| stb | stock tank barrel |
| Wti | West Texas Intermediate |

**Reserves Data – Forecast Prices and Costs**

The following tables disclose the Company’s gross and net proved reserves, estimated using forecast prices and costs, by product type. “Forecast prices and costs” means the future prices and costs used by GLJ in the GLJ Reserves Report that are generally accepted as being a reasonable outlook for the future.

## Summary of Oil and Natural Gas Reserves and Net Present Values of Future Net Revenue

### Reserves Summary

| Reserves Category | Light And Medium Oil | | Heavy Oil | | Natural Gas | | Natural Gas Liquids | | Total Oil Equivalent | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Company Gross Mbbl | Company Net Mbbl | Company Gross Mbbl | Company Net Mbbl | Company Gross MMcf | Company Net MMcf | Company Gross Mbbl | Company Net Mbbl | Company Gross Mboe | Company Net Mboe |
| PROVED | | | | | | | | | | |
| Producing | 16 | 15 | 83 | 73 | 110 | 103 | 0.6 | 0.4 | 118 | 105 |
| Developed Non-Producing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Undeveloped | 14 | 14 | 87 | 73 | 29 | 28 | 0.1 | 0.1 | 106 | 91 |
| **TOTAL PROVED** | **30** | **28** | **171** | **146** | **139** | **131** | **0.7** | **0.4** | **224** | **196** |
| **TOTAL PROBABLE** | **112** | **99** | **199** | **138** | **166** | **153** | **0.3** | **0.2** | **339** | **262** |
| **TOTAL PROVED PLUS PROBABLE** | **141** | **127** | **370** | **283** | **305** | **284** | **0.9** | **0.6** | **563** | **458** |

Note:
(1) Due to rounding, certain columns may not add exactly.

The following tables disclose the net present value of the Company's future net revenue attributable to the reserves categories in the previous table, estimated using forecast prices and costs before and after deducting future income tax expenses and calculated using discount rates of 0%, 5%, 10%, 15% and 20%.

### Net Present Value Summary

| Reserves Category | Net Present Values of Future Net Revenue Before Income Taxes Discounted At (%/year) | | | | | Unit Value Discounted at 10%/year | |
|---|---|---|---|---|---|---|---|
| | 0% M$ | 5% M$ | 10% M$ | 15% M$ | 20% M$ | $/boe | $/Mcfe |
| PROVED | | | | | | | |
| Producing | 6,474 | 5,037 | 4,168 | 3,589 | 3,174 | 39.59 | 6.60 |
| Developed Non-Producing | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| Undeveloped | 6,555 | 4,141 | 2,994 | 2,348 | 1,935 | 32.93 | 5.49 |
| **TOTAL PROVED** | **13,029** | **9,179** | **7,162** | **5,936** | **5,109** | **36.50** | **6.08** |
| **TOTAL PROBABLE** | **16,662** | **12,228** | **9,466** | **7,591** | **6,244** | **36.12** | **6.02** |
| **TOTAL PROVED PLUS PROBABLE** | **29,691** | **21,407** | **16,628** | **13,528** | **11,353** | **36.29** | **6.05** |

| Reserves Category | Net Present Values of Future Net Revenue After Income Taxes Discounted At (%/year) 0% M$ | 5% M$ | 10% M$ | 15% M$ | 20% M$ |
|---|---|---|---|---|---|
| PROVED | | | | | |
| Producing | 6,474 | 5,037 | 4,168 | 3,589 | 3,174 |
| Developed Non-Producing | 0 | 0 | 0 | 0 | 0 |
| Undeveloped | 6,555 | 4,141 | 2,994 | 2,348 | 1,935 |
| **TOTAL PROVED** | **13,029** | **9,179** | **7,162** | **5,936** | **5,109** |
| **TOTAL PROBABLE** | **12,706** | **9,896** | **7,966** | **6,569** | **5,519** |
| **TOTAL PROVED PLUS PROBABLE** | **25,735** | **19,075** | **15,128** | **12,506** | **10,628** |

The following tables disclose certain elements of the Company's future net revenue attributable to its proved reserves and its proved plus probable reserves, estimated using forecast prices and costs and calculated without a discount before and after tax.

## Total Future Net Revenue (Undiscounted)

| Reserves Category | Revenue M$ | Royalties M$ | Operating Costs M$ | Capital Develop-ment Costs M$ | Abandon-ment Costs M$ | Future Net Revenue Before Income Taxes M$ | Income Tax M$ | Future Net Revenue After Income Taxes M$ |
|---|---|---|---|---|---|---|---|---|
| Proved Producing | 9,187 | 1,024 | 1,688 | 0 | 0 | 6,474 | 0 | 6,474 |
| Proved Developed Non Producing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proved Undeveloped | 9,711 | 1,392 | 1,764 | 0 | 0 | 6,555 | 0 | 6,555 |
| **Total Proved** | **18,898** | **2,416** | **3,452** | **0** | **0** | **13,029** | **0** | **13,029** |
| **Total Probable** | **28,700** | **6,765** | **5,273** | **0** | **0** | **16,662** | **3,956** | **12,706** |
| **Total Proved Plus Probable** | **47,597** | **9,181** | **8,725** | **0** | **0** | **29,691** | **3,956** | **25,735** |

The following tables disclose, by production group, the net present value of the Company's future net revenue attributable to its proved and its proved plus probable reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated at a 10% discount rate.

## Future Net Revenue by Production Group

| | Future Net Revenue Before Income Taxes [3] (Discounted at 10% per year) | | |
|---|---|---|---|
| | M$ | $/boe | $/Mcfe |
| ***Proved Producing*** | | | |
| Light & Medium Oil [1] | 716 | 58.21 | 9.70 |
| Heavy Oil [1] | 2,954 | 39.24 | 6.54 |
| Natural Gas [2] | 498 | 28.13 | 4.69 |
| **Total: Proved Producing** | **4,168** | **39.59** | **6.60** |
| **Total Proved** | | | |
| Light & Medium Oil [1] | 1,531 | 54.30 | 9.05 |
| Heavy Oil [1] | 5,134 | 34.15 | 5.69 |
| Natural Gas [2] | 498 | 28.13 | 4.69 |
| **Total: Total Proved** | **7,162** | **36.50** | **6.08** |
| ***Total Proved Plus Probable*** | | | |
| Light & Medium Oil [1] | 6,188 | 43.40 | 7.23 |
| Heavy Oil [1] | 9,818 | 33.48 | 5.58 |
| Natural Gas [2] | 622 | 27.74 | 4.62 |
| **Total: Total Proved Plus Probable** | **16,628** | **36.29** | **6.05** |

Notes:
(1) Including solution gas and other by-products.
(2) Including by-products but excluding solution gas.
(3) Unit values are based on Company Net Reserves.

### Pricing Assumptions

The following table sets out the forecast reference prices used in preparing the Company's reserves data. This price forecast is GLJ's price forecast as of January 1, 2012. Information sources include numerous government agencies, industry publications, Canadian oil refiners and natural gas marketers. The forecasts presented herein are based on an informed interpretation of currently available data. While these forecasts are considered reasonable at this time, users of these forecasts should understand the inherent high uncertainty in forecasting any commodity or market. These forecasts will be revised periodically as market, economic and political conditions change. These future revisions may be significant.

# Forecast Prices Used in Preparing Reserves Data [1]

*GLJ Petroleum Consultants Ltd.*

## Crude Oil and Natural Gas Liquids

## Price Forecast

*Effective January 1, 2012*

| Year | Inflation % | Bank of Canada Average Noon Exchange Rate $US/$Cdn | Nymex Wti Near Month Futures Contract Crude Oil at Cushing Oklahoma Constant 2012 $ $US/bbl | Nymex Wti Near Month Futures Contract Crude Oil at Cushing Oklahoma Then Current $US/bbl | ICE Brent Near Month Futures Contract Crude Oil FOB North Sea Then Current $US/bbl | Light Sweet Crude Oil 40 API, 0.3%S at Edmonton Then Current $Cdn/bbl | Bow River Crude Oil Stream Quality at Hardisty Then Current $Cdn/bbl | Lloyd Blend Crude Oil Stream Quality at Hardisty Then Current $Cdn/bbl | WCS Stream Quality at Hardisty Then Current $Cdn/bbl | Heavy Crude Oil Proxy (12 API) at Hardisty Then Current $Cdn/bbl | Light Crude Oil (35 API, 1.2%S) at Cromer Then Current $Cdn/bbl | Medium Crude Oil (29 API, 2.0%S) at Cromer Then Current $Cdn/bbl | Spec Ethane $Cdn/bbl | Alberta Natural Gas Liquids (Then Current Dollars) Edmonton Propane $Cdn/bbl | Edmonton Butane $Cdn/bbl | Edmonton Pentanes Plus $Cdn/bbl |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2000 | 2.7 | 0.673 | 39.12 | 30.23 | 28.41 | 44.57 | 35.28 | 32.61 | N/A | 27.49 | 43.28 | 39.92 | N/A | 32.15 | 35.59 | 46.31 |
| 2001 | 2.5 | 0.646 | 32.75 | 26.00 | 24.87 | 39.44 | 27.69 | 23.47 | N/A | 16.77 | 35.22 | 31.58 | N/A | 31.92 | 31.25 | 42.48 |
| 2002 | 2.3 | 0.637 | 32.05 | 26.08 | 25.02 | 40.33 | 31.83 | 30.60 | N/A | 26.57 | 37.43 | 35.48 | N/A | 21.39 | 27.08 | 40.73 |
| 2003 | 2.8 | 0.716 | 37.32 | 31.07 | 28.47 | 43.66 | 32.11 | 31.18 | N/A | 26.26 | 40.09 | 37.55 | N/A | 32.14 | 34.36 | 44.23 |
| 2004 | 1.8 | 0.770 | 48.41 | 41.38 | 38.02 | 52.96 | 37.43 | 36.31 | N/A | 29.11 | 49.14 | 45.64 | N/A | 34.70 | 39.97 | 53.94 |
| 2005 | 2.2 | 0.826 | 64.96 | 56.58 | 55.14 | 69.02 | 44.73 | 43.03 | 43.74 | 34.07 | 62.18 | 56.77 | N/A | 43.04 | 51.80 | 69.57 |
| 2006 | 2.0 | 0.882 | 74.35 | 66.22 | 66.16 | 73.21 | 51.82 | 50.36 | 50.66 | 41.84 | 66.38 | 62.26 | N/A | 43.85 | 60.17 | 75.41 |
| 2007 | 2.2 | 0.935 | 79.74 | 72.39 | 72.71 | 77.06 | 53.64 | 52.03 | 52.38 | 43.42 | 71.13 | 65.71 | N/A | 49.56 | 61.78 | 77.38 |
| 2008 | 2.4 | 0.943 | 107.29 | 99.64 | 98.30 | 102.89 | 84.31 | 82.60 | 82.95 | 74.94 | 96.08 | 93.10 | N/A | 58.38 | 75.33 | 104.78 |
| 2009 | 0.4 | 0.880 | 65.02 | 61.78 | 62.50 | 66.32 | 60.18 | 58.40 | 58.66 | 54.46 | 63.84 | 62.96 | N/A | 38.03 | 48.17 | 68.17 |
| 2010 | 1.8 | 0.971 | 83.35 | 79.52 | 80.25 | 77.87 | 68.45 | 66.95 | 67.27 | 60.76 | 76.58 | 73.76 | N/A | 46.84 | 65.91 | 84.27 |
| 2011 (e) | 3.0 | 1.012 | 97.65 | 94.83 | 110.63 | 95.15 | 78.12 | 76.37 | 76.68 | 67.03 | 91.61 | 87.57 | N/A | 53.47 | 74.24 | 103.75 |
| 2012 Q1 | 2.0 | 0.980 | 97.00 | 97.00 | 105.00 | 97.96 | 83.27 | 81.31 | 81.61 | 72.37 | 93.06 | 90.12 | 10.50 | 58.78 | 76.41 | 107.76 |
| 2012 Q2 | 2.0 | 0.980 | 97.00 | 97.00 | 105.00 | 97.96 | 83.27 | 81.31 | 81.61 | 72.37 | 93.06 | 90.12 | 10.98 | 58.78 | 76.41 | 107.76 |
| 2012 Q3 | 2.0 | 0.980 | 97.00 | 97.00 | 105.00 | 97.96 | 83.27 | 81.31 | 81.61 | 72.37 | 93.06 | 90.12 | 11.61 | 58.78 | 76.41 | 107.76 |
| 2012 Q4 | 2.0 | 0.980 | 97.00 | 97.00 | 105.00 | 97.96 | 83.27 | 81.31 | 81.61 | 72.37 | 93.06 | 90.12 | 12.72 | 58.78 | 76.41 | 107.76 |
| 2012 Full Year | 2.0 | 0.980 | 97.00 | 97.00 | 105.00 | 97.96 | 83.27 | 81.31 | 81.61 | 72.37 | 93.06 | 90.12 | 11.46 | 58.78 | 76.41 | 107.76 |
| 2013 | 2.0 | 0.980 | 98.04 | 100.00 | 105.00 | 101.02 | 84.35 | 82.33 | 82.63 | 73.60 | 94.96 | 92.94 | 13.67 | 60.61 | 78.80 | 108.09 |
| 2014 | 2.0 | 0.980 | 96.12 | 100.00 | 102.00 | 101.02 | 84.35 | 82.33 | 82.63 | 74.51 | 93.95 | 91.93 | 15.26 | 60.61 | 78.80 | 105.06 |
| 2015 | 2.0 | 0.980 | 94.23 | 100.00 | 100.00 | 101.02 | 84.35 | 82.33 | 82.63 | 74.51 | 93.95 | 91.93 | 16.85 | 60.61 | 78.80 | 105.06 |
| 2016 | 2.0 | 0.980 | 92.38 | 100.00 | 100.00 | 101.02 | 84.35 | 82.33 | 82.63 | 74.51 | 93.95 | 91.93 | 18.43 | 60.61 | 78.80 | 105.06 |
| 2017 | 2.0 | 0.980 | 90.57 | 100.00 | 100.00 | 101.02 | 84.35 | 82.33 | 82.63 | 74.51 | 93.95 | 91.93 | 20.02 | 60.61 | 78.80 | 105.06 |
| 2018 | 2.0 | 0.980 | 90.00 | 101.35 | 101.35 | 102.40 | 85.50 | 83.45 | 83.75 | 75.54 | 95.23 | 93.18 | 20.84 | 61.44 | 79.87 | 106.49 |
| 2019 | 2.0 | 0.980 | 90.00 | 103.38 | 103.38 | 104.47 | 87.23 | 85.14 | 85.44 | 77.09 | 97.16 | 95.07 | 21.25 | 62.68 | 81.49 | 108.65 |
| 2020 | 2.0 | 0.980 | 90.00 | 105.45 | 105.45 | 106.58 | 89.00 | 86.86 | 87.16 | 78.67 | 99.12 | 96.99 | 21.70 | 63.95 | 83.13 | 110.84 |
| 2021 | 2.0 | 0.980 | 90.00 | 107.56 | 107.56 | 108.73 | 90.79 | 88.62 | 88.92 | 80.28 | 101.12 | 98.95 | 22.14 | 65.24 | 84.81 | 113.08 |
| 2022+ | 2.0 | 0.980 | 90.00 | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr |

Note:

(1) Historical futures contract price is an average of the daily settlement price of the near month contract over the calendar month.

## Forecast Prices Used in Preparing Reserves Data (continued) [(1)(2)(3)]

*GLJ Petroleum Consultants Ltd.*

**Natural Gas and Sulphur**

**Price Forecast**

*Effective January 1, 2012*

| Year | Henry Hub Nymex Near Month Contract Constant 2012 $ $US/mmbtu | Henry Hub Nymex Near Month Contract Then Current $US/mmbtu | Midwest Price @ Chicago Then Current $US/mmbtu | AECO/NIT Spot Then Current $Cdn/mmbtu | Alberta Plant Gate Spot Constant 2012 $ $/mmbtu | Alberta Plant Gate Spot Then Current $/mmbtu | Alberta Plant Gate ARP $/mmbtu | Alberta Plant Gate Aggregator $/mmbtu | Alberta Plant Gate Alliance $/mmbtu | Saskatchewan Plant Gate SaskEnergy $/mmbtu | Saskatchewan Plant Gate Spot $/mmbtu | Sumas Spot $US/mmbtu | British Columbia Westcoast Station 2 $/mmbtu | British Columbia Spot Plant Gate $/mmbtu | Sulphur FOB Vancouver $US/LT | Alberta Sulphur at Plant Gate $Cdn/LT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2000 | 5.58 | 4.32 | 3.96 | 5.08 | 6.37 | 4.93 | 4.50 | 4.44 | N/A | 4.79 | 4.99 | 4.15 | 5.06 | 4.88 | 38.14 | 13.59 |
| 2001 | 5.08 | 4.03 | 4.45 | 6.23 | 7.65 | 6.07 | 5.41 | 4.97 | 5.29 | 5.72 | 6.15 | 4.57 | 6.32 | 6.29 | 18.29 | -14.67 |
| 2002 | 4.13 | 3.36 | 3.25 | 4.04 | 4.77 | 3.88 | 3.88 | 3.64 | 3.66 | 4.04 | 3.96 | 2.68 | 4.18 | 3.93 | 29.38 | 3.04 |
| 2003 | 6.57 | 5.47 | 5.46 | 6.66 | 7.80 | 6.49 | 6.13 | 5.87 | 6.15 | 6.41 | 6.57 | 4.66 | 6.45 | 6.32 | 59.81 | 39.83 |
| 2004 | 7.23 | 6.18 | 6.13 | 6.88 | 7.83 | 6.70 | 6.31 | 6.16 | 6.39 | 6.48 | 6.78 | 5.26 | 6.56 | 6.45 | 62.99 | 38.61 |
| 2005 | 10.34 | 9.00 | 8.24 | 8.58 | 9.66 | 8.42 | 8.30 | 8.27 | 8.29 | 8.36 | 8.48 | 7.13 | 8.22 | 8.12 | 63.50 | 33.77 |
| 2006 | 7.85 | 6.99 | 6.93 | 7.16 | 7.81 | 6.96 | 6.57 | 6.36 | 6.34 | 6.67 | 7.06 | 6.27 | 6.58 | 6.45 | 55.07 | 19.27 |
| 2007 | 7.83 | 7.12 | 6.83 | 6.65 | 7.08 | 6.43 | 6.20 | 6.13 | 5.86 | 6.18 | 6.55 | 6.52 | 6.40 | 6.25 | 81.66 | 42.03 |
| 2008 | 9.58 | 8.90 | 8.91 | 8.16 | 8.53 | 7.92 | 7.88 | 7.85 | 7.84 | 8.07 | 8.04 | 8.33 | 8.21 | 8.09 | 497.39 | 488.64 |
| 2009 | 4.38 | 4.16 | 4.05 | 4.19 | 4.19 | 3.98 | 3.85 | 3.69 | 3.23 | 3.87 | 4.04 | 3.91 | 4.17 | 4.04 | 57.06 | 24.57 |
| 2010 | 4.60 | 4.40 | 4.53 | 4.17 | 4.11 | 3.93 | 3.77 | 3.63 | 3.31 | 3.96 | 4.00 | 4.31 | 4.01 | 3.91 | 88.94 | 48.26 |
| 2011 (e) | 4.15 | 4.03 | 4.26 | 3.68 | 3.58 | 3.47 | 3.57 | 3.40 | 2.89 | 3.67 | 3.72 | 3.88 | 3.37 | 3.28 | 217.14 | 172.03 |
| 2012 Q1 | 3.50 | 3.50 | 3.60 | 3.21 | 3.02 | 3.02 | 2.96 | 2.89 | 2.36 | 3.06 | 3.15 | 3.20 | 3.01 | 2.86 | 200.00 | 161.08 |
| 2012 Q2 | 3.65 | 3.65 | 3.75 | 3.35 | 3.16 | 3.16 | 3.09 | 3.02 | 2.50 | 3.19 | 3.29 | 3.35 | 3.15 | 3.00 | 200.00 | 161.08 |
| 2012 Q3 | 3.85 | 3.85 | 3.95 | 3.54 | 3.34 | 3.34 | 3.27 | 3.20 | 2.70 | 3.37 | 3.48 | 3.55 | 3.34 | 3.18 | 200.00 | 161.08 |
| 2012 Q4 | 4.20 | 4.20 | 4.30 | 3.86 | 3.66 | 3.66 | 3.58 | 3.50 | 3.04 | 3.68 | 3.80 | 3.90 | 3.66 | 3.50 | 200.00 | 161.08 |
| 2012 Full Year | 3.80 | 3.80 | 3.90 | 3.49 | 3.29 | 3.29 | 3.23 | 3.15 | 2.65 | 3.33 | 3.43 | 3.50 | 3.29 | 3.14 | 200.00 | 161.08 |
| 2013 | 4.41 | 4.50 | 4.60 | 4.13 | 3.85 | 3.93 | 3.85 | 3.76 | 3.33 | 3.95 | 4.07 | 4.20 | 3.93 | 3.78 | 175.00 | 135.57 |
| 2014 | 4.81 | 5.00 | 5.10 | 4.59 | 4.21 | 4.39 | 4.30 | 4.20 | 3.82 | 4.40 | 4.53 | 4.70 | 4.39 | 4.23 | 150.00 | 110.06 |
| 2015 | 5.18 | 5.50 | 5.60 | 5.05 | 4.56 | 4.84 | 4.74 | 4.64 | 4.31 | 4.84 | 4.99 | 5.20 | 4.85 | 4.69 | 125.00 | 84.55 |
| 2016 | 5.54 | 6.00 | 6.10 | 5.51 | 4.89 | 5.30 | 5.19 | 5.08 | 4.80 | 5.29 | 5.45 | 5.70 | 5.31 | 5.14 | 125.00 | 84.55 |
| 2017 | 5.89 | 6.50 | 6.60 | 5.97 | 5.21 | 5.75 | 5.64 | 5.51 | 5.29 | 5.74 | 5.91 | 6.20 | 5.77 | 5.60 | 127.50 | 87.10 |
| 2018 | 6.00 | 6.76 | 6.86 | 6.21 | 5.32 | 5.99 | 5.87 | 5.74 | 5.55 | 5.97 | 6.15 | 6.46 | 6.01 | 5.84 | 130.05 | 89.70 |
| 2019 | 6.00 | 6.89 | 6.99 | 6.33 | 5.32 | 6.11 | 5.98 | 5.85 | 5.67 | 6.08 | 6.27 | 6.59 | 6.13 | 5.95 | 132.65 | 92.36 |
| 2020 | 6.00 | 7.03 | 7.13 | 6.46 | 5.32 | 6.23 | 6.11 | 5.98 | 5.81 | 6.21 | 6.40 | 6.73 | 6.26 | 6.08 | 135.30 | 95.06 |
| 2021 | 6.00 | 7.17 | 7.27 | 6.58 | 5.32 | 6.36 | 6.23 | 6.10 | 5.95 | 6.33 | 6.52 | 6.87 | 6.38 | 6.21 | 138.01 | 97.83 |
| 2022+ | 6.00 | +2.0%/yr | +2.0%/yr | +2.0%/yr | 5.32 | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr |

Notes:

(1) Unless otherwise stated, the gas price reference point is the receipt point on the applicable provincial gas transmission system known as the plant gate.

(2) The plant gate price represents the price before raw gas gathering and processing charges are deducted.

(3) AECO-C Spot refers to the one month price averaged for the year.

## Additional Information Relating to Reserves Data

### ***Reconciliation of Company Gross Reserves by Product Type***

The following tables set forth the changes between the Company's reserve volume estimates made as at December 31, 2011 and the corresponding estimates as at December 31, 2010, using forecast prices and costs:

| | **Total Oil** | | | **Light and Medium Oil** | | | **Heavy Oil** | | | **Natural Gas Liquids** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FACTORS | Proved (Mbbl) | Probable (Mbbl) | Proved + Probable (Mbbl) | Proved (Mbbl) | Probable (Mbbl) | Proved + Probable (Mbbl) | Proved (Mbbl) | Probable (Mbbl) | Proved + Probable (Mbbl) | Proved (Mbbl) | Probable (Mbbl) | Proved + Probable (Mbbl) |
| December 31, 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Discoveries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extensions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Infill Drilling | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Improved Recovery | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Technical Revisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisitions | 215 | 311 | 526 | 34 | 112 | 146 | 182 | 199 | 381 | 1 | 0 | 1 |
| Dispositions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | (15) | 0 | (15) | (4) | 0 | (4) | (11) | 0 | (11) | (0) | 0 | (0) |
| December 31, 2011 | 200 | 311 | 511 | 30 | 112 | 142 | 171 | 199 | 370 | 1 | 0 | 1 |

| | **Total Gas** | | | **Conventional Natural Gas** | | | **Coal Bed Methane** | | | **Boe** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FACTORS | Probable (MMcf) | Proved + Probable (MMcf) | Proved (MMcf) | Probable (MMcf) | Probable (MMcf) | Proved + Probable (MMcf) | Proved (MMcf) | Probable (MMcf) | Probable (MMcf) | Proved + Probable (MMcf) | Proved (MMcf) | Probable (MMcf) |
| December 31, 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Discoveries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extensions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Infill Drilling | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Improved Recovery | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Technical Revisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisitions | 168 | 166 | 333 | 168 | 166 | 333 | 0 | 0 | 0 | 244 | 339 | 583 |
| Dispositions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | (28) | 0 | (28) | (28) | 0 | (28) | 0 | 0 | 0 | (20) | 0 | (20) |
| December 31, 2011 | 140 | 166 | 305 | 140 | 166 | 305 | 0 | 0 | 0 | 224 | 339 | 563 |

Note:
(1) Due to rounding, certain columns may not add exactly.

### ***Undeveloped Reserves***

As these reserves were acquired as of March 18, 2011, all undeveloped reserves were assigned in 2011. The undeveloped reserves relate mainly to the assumption of one horizontal well drilled at Two Creek in the Proved case and two horizontal wells drilled at Two Creek in the Proved plus Probable case prior to December 31, 2012. The exact timing of development is subject to numerous factors including, but not limited to, changing economic conditions, changing technical conditions, availability and allocation of capital by the operator and surface access issues.

The following table sets forth the volumes of Proved undeveloped reserves that were first attributed for each of the Company's product types for each of the most recent three financial years and, in the aggregate, before that time, using forecast prices and costs:

| **Proved Undeveloped Reserves** | **Light And Medium Oil (Mbbl)** | | **Heavy Oil (Mbbl)** | | **Natural Gas (MMcf)** | | **Natural Gas Liquids (Mbbl)** | | **Total Oil Equivalent (Mboe)** | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | First Attributed | Total at Year-end | First Attributed | Total at Year-end | First Attributed | Total at Year-end | First Attributed | Total at Year-end | First Attributed | Total at Year-end |
| Prior | - | - | - | - | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - | - | - | - | - |
| 2010 | - | - | - | - | - | - | - | - | - | - |
| 2011 | 14 | 14 | 87 | 87 | 29 | 29 | 0 | 0 | 106 | 106 |

The following table sets forth the volumes of Probable undeveloped reserves that were first attributed for each of the Company's product types for each of the most recent three financial years and, in the aggregate, before that time, using forecast prices and costs:

| **Probable Undeveloped Reserves** | **Light And Medium Oil (Mbbl)** | | **Heavy Oil (Mbbl)** | | **Natural Gas (MMcf)** | | **Natural Gas Liquids (Mbbl)** | | **Total Oil Equivalent (Mboe)** | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | First Attributed | Total at Year-end | First Attributed | Total at Year-end | First Attributed | Total at Year-end | First Attributed | Total at Year-end | First Attributed | Total at Year-end |
| Prior | - | - | - | - | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - | - | - | - | - |
| 2010 | - | - | - | - | - | - | - | - | - | - |
| 2011 | 58 | 58 | 174 | 174 | 90 | 90 | 0 | 0 | 247 | 247 |

Note:
“First Attributed” refers to reserves first attributed at year-end of the corresponding fiscal year.

### *Significant Factors or Uncertainties*

The process of estimating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Such revisions can be either positive or negative.

### *Future Development Costs*

Pursuant to the Commodity Purchase Agreement, following the payment of the upfront payment, the Company does not have to pay any future development costs on the property. The operator has committed to completing certain development activities including the drilling of two wells in the Two Creek Jurassic A property prior to September 18, 2012, implementing a chemical flood EOR scheme with respect to the Strathmore property prior to March 18, 2013, and implementing a chemical flood EOR scheme with respect to the Two Creek Jurassic A property prior to March 18, 2014.

**Other Oil and Gas Information**

***Oil and Gas Properties and Wells***

The Strathmore property is located approximately 30 kilometres east of Calgary, Alberta and includes approximately 10 producing wells in one main oil pool on approximately 3,131 acres of land. Pursuant to the Commodity Purchase Agreement, the Company receives 15% of the production from this property for the life of the asset.

The Two Creek Jurassic A property is located approximately 200 kilometres northwest of Edmonton, Alberta and includes approximately six producing wells on approximately 1,760 acres of land. Pursuant to the Commodity Purchase Agreement, the Company receives 25% of the production from this property for the life of the asset.

The Two Creek Jurassic B property is located approximately 200 kilometres northwest of Edmonton, Alberta and includes approximately five producing wells on approximately 2,560 acres of land. Pursuant to the Commodity Purchase Agreement, the Company receives 25% of the production from this property until March 31, 2016.

***Properties with No Attributed Reserves***

Of the approximately 1,760 acres of land in the Two Creek Jurassic A property, approximately 480 acres are undeveloped. Of the approximately 2,560 acres of land in the Two Creek Jurassic B property, approximately 320 acres are undeveloped. Of the approximately 3,131 acres in the Strathmore property, none are undeveloped.

***Forward Contracts***

The Company does not have any forward contracts.

***Additional Information Concerning Abandonment and Reclamation Costs***

Pursuant to the Commodity Purchase Agreement, following the payment of the upfront payment, the Company is not responsible for abandonment and reclamation costs.

***Tax Horizon***

Based on the GLJ Reserves Report, the Company is not taxable in the Proved case and will become taxable in 2017 in the Proved plus Probable case.

***Production Estimates***

The following table sets out the Company’s interest in the estimated production volume for 2012 for each product type.

# Summary of First Year Production

| | 2012 Average Daily Production | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Light and Medium Oil | | Heavy Oil | | Natural Gas | | Natural Gas Liquids | | Oil Equivalents | |
| Entity Description | Company Gross bbl/d | Company Net bbl/d | Company Gross bbl/d | Company Net bbl/d | Company Gross Mcf/d | Company Net Mcf/d | Company Gross bbl/d | Company Net bbl/d | Company Gross boe/d | Company Net boe/d |
| ***Proved Producing*** | | | | | | | | | | |
| Strathmore | 13.32 | 12.92 | 0 | 0 | 42.0 | 40.7 | 0 | 0 | 20.32 | 19.71 |
| Two Creek Jurassic A | 0.07 | 0.06 | 35.09 | 27.17 | 10.8 | 10.1 | 0.10 | 0.06 | 37.06 | 28.98 |
| Two Creek Jurassic B | 2.05 | 1.56 | 0 | 0 | 41.4 | 37.2 | 0.35 | 0.22 | 9.29 | 7.99 |
| **Total: Proved Producing** | **15.44** | **14.55** | **35.09** | **27.17** | **94.2** | **88.0** | **0.45** | **0.29** | **66.67** | **56.67** |
| ***Proved Developed Non-Producing*** | | | | | | | | | | |
| Strathmore | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Two Creek Jurassic A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Two Creek Jurassic B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total: Proved Developed Non-Producing** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| ***Proved Undeveloped*** | | | | | | | | | | |
| Strathmore | 5.84 | 5.67 | 0 | 0 | 6.0 | 5.8 | 0 | 0 | 6.85 | 6.64 |
| Two Creek Jurassic A | 0 | 0 | 0.83 | 0.78 | 0.1 | 0.1 | 0 | 0 | 0.85 | 0.80 |
| Two Creek Jurassic B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total: Proved Undeveloped** | **5.84** | **5.67** | **0.83** | **0.78** | **6.1** | **6.0** | **0** | **0** | **7.70** | **7.44** |
| ***Total Proved*** | | | | | | | | | | |
| Strathmore | 19.17 | 18.59 | 0 | 0 | 48.0 | 46.6 | 0 | 0 | 27.16 | 26.35 |
| Two Creek Jurassic A | 0.07 | 0.06 | 35.91 | 27.95 | 10.9 | 10.2 | 0.1 | 0.06 | 37.91 | 29.78 |
| Two Creek Jurassic B | 2.05 | 1.56 | 0 | 0 | 41.4 | 37.2 | 0.35 | 0.22 | 9.29 | 7.99 |
| **Total: Total Proved** | **21.28** | **20.22** | **35.91** | **27.95** | **100.3** | **94.0** | **0.45** | **0.29** | **74.37** | **64.12** |
| ***Total Probable*** | | | | | | | | | | |
| Strathmore | -0.58 | -0.57 | 0 | 0 | 0.1 | 0.1 | 0 | 0 | -0.57 | -0.55 |
| Two Creek Jurassic A | 0 | 0 | 0.06 | 4.39 | 0 | 0 | 0 | 0 | 0.07 | 4.40 |
| Two Creek Jurassic B | 0.02 | 0.01 | 0 | 0 | 0.3 | 0.2 | 0 | 0 | 0.07 | 0.06 |
| **Total: Total Probable** | **-0.56** | **-0.55** | **0.06** | **4.39** | **0.4** | **0.4** | **0** | **0** | **-0.43** | **3.91** |
| ***Total Proved Plus Probable*** | | | | | | | | | | |
| Strathmore | 18.58 | 18.02 | 0 | 0 | 48.1 | 46.6 | 0 | 0 | 26.60 | 25.80 |
| Two Creek Jurassic A | 0.07 | 0.06 | 35.98 | 32.34 | 11.0 | 10.3 | 0.10 | 0.06 | 37.98 | 34.18 |
| Two Creek Jurassic B | 2.07 | 1.58 | 0 | 0 | 41.7 | 37.4 | 0.35 | 0.22 | 9.36 | 8.04 |
| **Total: Total Proved Plus Probable** | **20.72** | **19.67** | **35.98** | **32.34** | **100.7** | **94.4** | **0.45** | **0.29** | **73.94** | **68.03** |